

that people like Warren Buffett actually pay a fair share of their costs of the Part D premium – which were rejected. Instead of controlling entitlement spending, we actually added to entitlement spending by increasing entitlement accounts last year and creating new entitlement accounts outside the Pay-Go window, SCHIP being the classic example of that. So, I appreciate the Chairman's focus on debt, but there is no action here coming from the other side of the aisle to substantively address that.

What I wanted to point out today again, because I think it's important in the context of this economic slowdown that we're facing – as the Chairman is always citing, he says there is \$2 trillion of tax relief in the President's budget over five years and that's not acceptable to the Democratic Party – I think it's important to point out what that really means in real terms.

As we look at the present tax structure of our country, it's important to recognize that that tax structure, which we have in place as a result of the tax cuts of the early part of this Administration, has generated more revenue than has historically been generated by this government. We're up to now, this year, approximately 18.7% of GDP coming in, in revenue. Historically, we've had about 18.25% coming in, in revenue. So under the present tax law, as it exists today, we are actually generating more revenue than we have historically generated.

At the same time, it's important to note that under the present tax law, people in the highest brackets of income are paying a greater share of the federal income tax burden than they paid under the Clinton Administration. Eighty-five percent of federal income tax is now paid by the top 20% of earners in this country, as compared to 81% during the Clinton years.

And the people in the bottom 40% of the tax income brackets – they don't pay income taxes in general – are actually getting more back from the federal government, through the EITC, than they did under the Clinton Administration, almost twice as much. So the tax laws, while generating more revenue than has been the historic norm of this country, are actually more progressive. In other words, the higher-income people are paying more of the burden; the lower-income people are bearing less of the burden and actually getting more back.

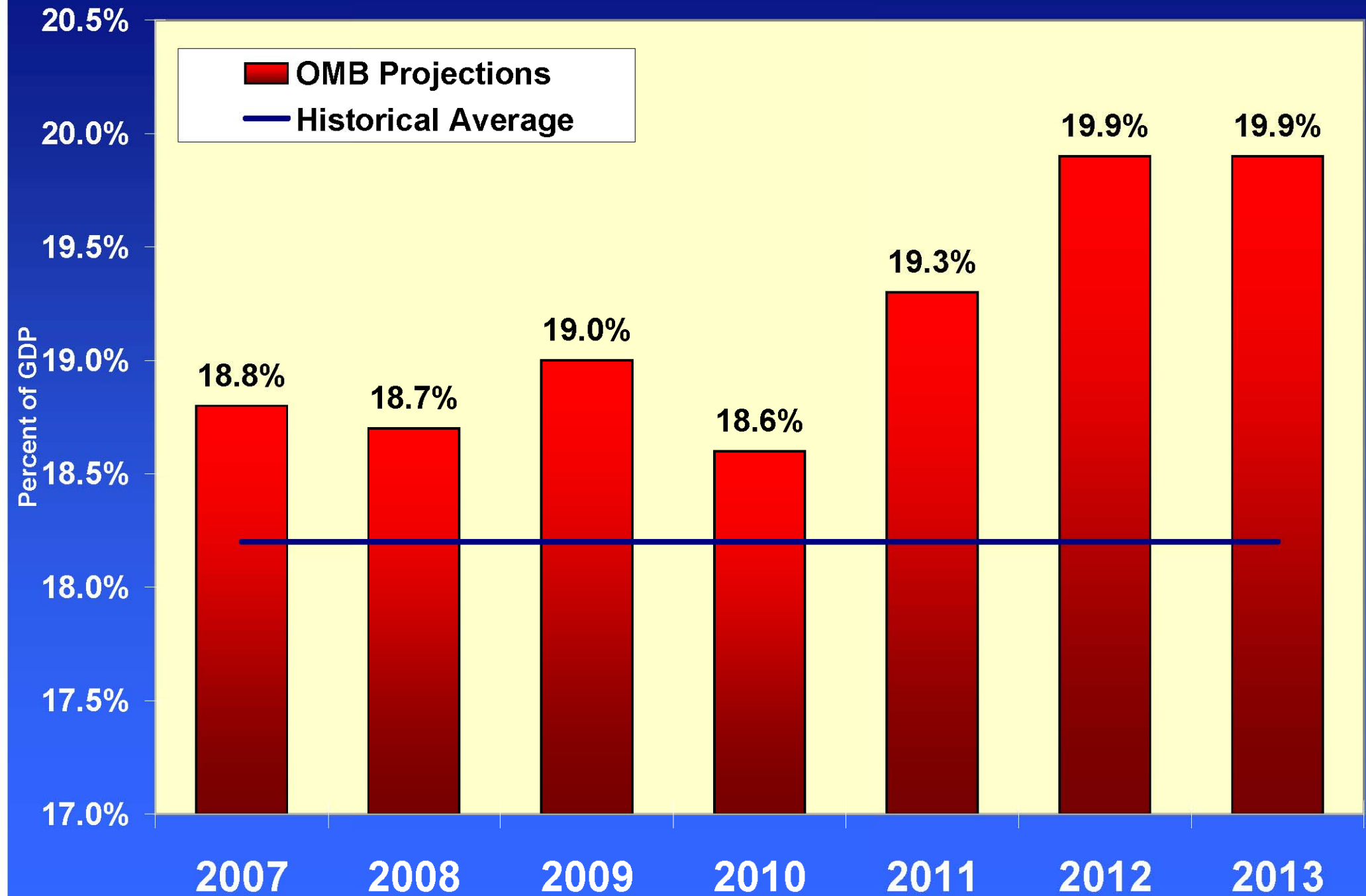
Why is that happening? Well, it's called human nature. When you create a tax climate where people have an incentive to go out and work, to take a risk, to be productive, to be entrepreneurs, they do that. And they create jobs and they create economic activity, and we've had many quarters of job creation and economic activity here. We're coming unfortunately to a slow-down, but for the past four and a half years, we've had dramatic expansion in jobs and economic activity in this country. And it's been a function of the fact that we've finally gotten to a tax law which says to the entrepreneur, 'Go out and invest. Go out and take a risk. Be a true American. Take that risk and create that small business and create a job as a result.' And as a result, we've generated more revenues. It's that simple.

Whereas if you dramatically increase taxes -- and the proposal here from the other side I guess is going to be that we raise taxes by \$2 trillion -- and not accept the President's budget in the area of tax policy...well, you talk about an economic slow-down, that's going to be more than an economic slow-down, that's going to be hitting a great, big, huge cement wall if you raise taxes around here \$2 trillion dollars, especially on the productive side of our economy.

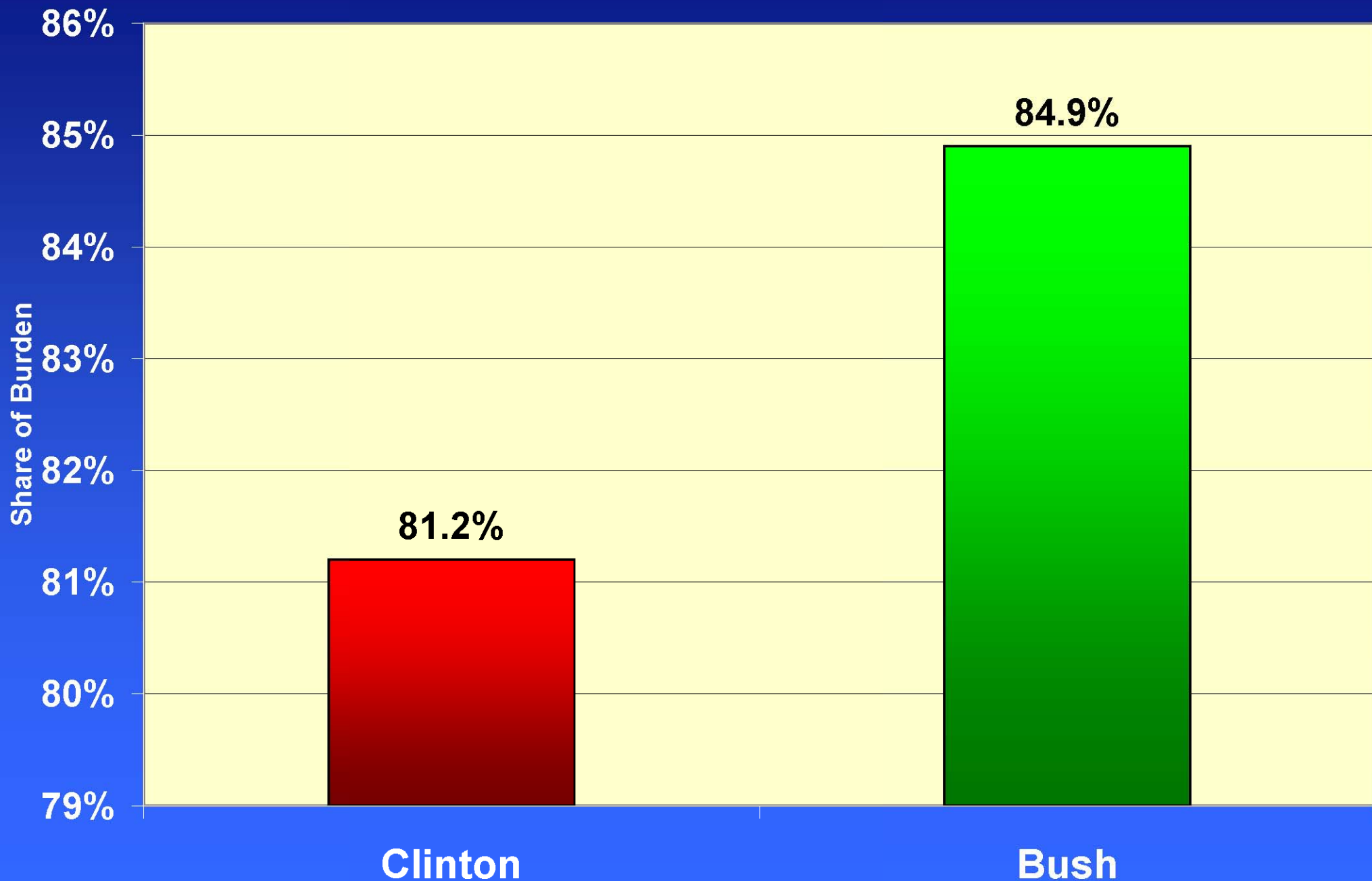
So I just think it's important to stress again the success of having a tax law which says to the entrepreneur, 'Go out and invest; go out and take a risk; go out and create jobs.' Because that's how you generate a strong economy. That's how we compete with the world and that's been one of the things we've done under this Administration.

I appreciate the Committee's time.

Projected Revenues Exceed Historical Average

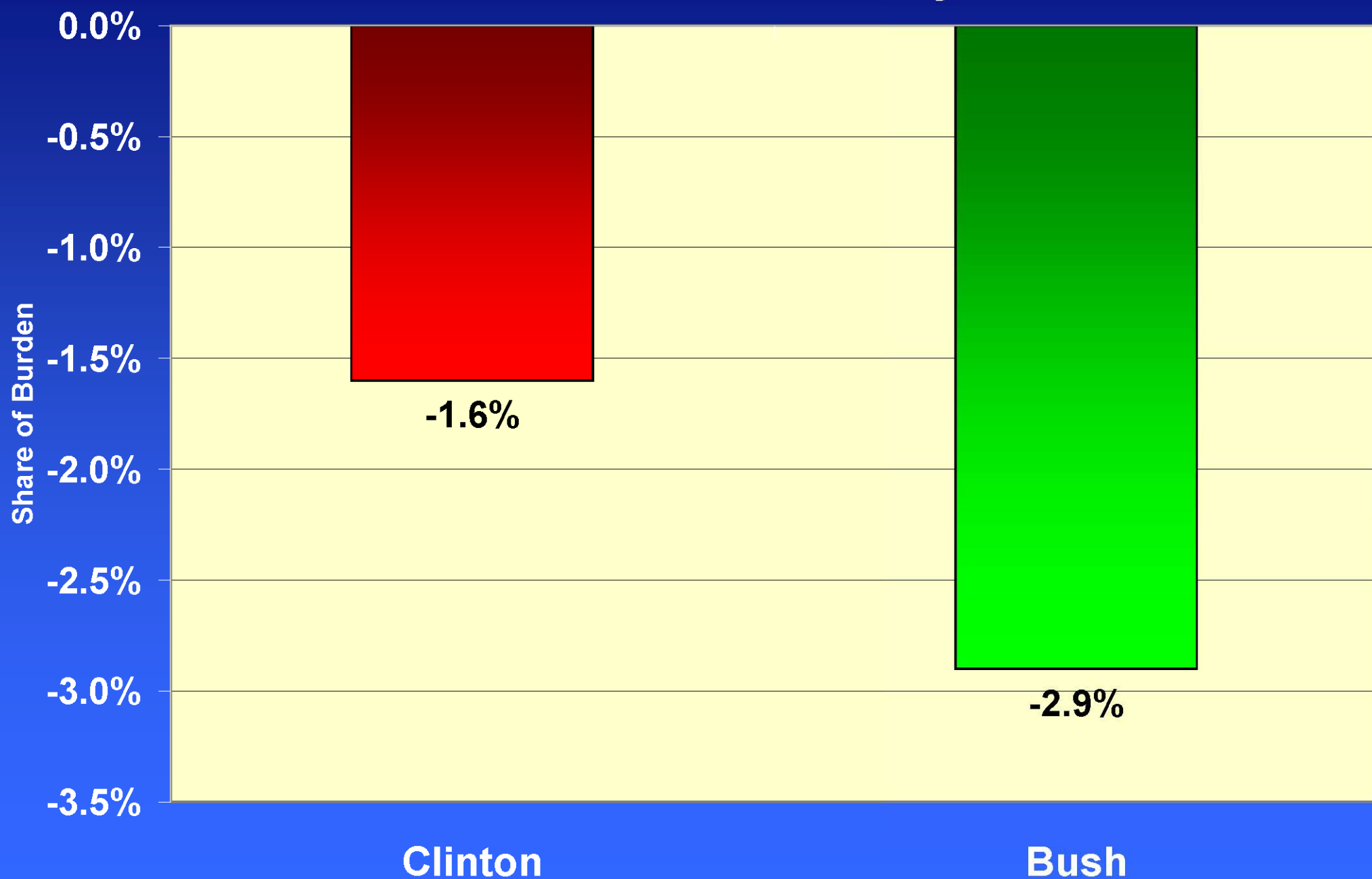


High-Income Tax Payers Bear a Greater Burden Under Bush



Source: Senate Budget Committee Republican Staff Analysis of CBO Data

Low-Income Receive Money Through Individual Income Tax System



Source: Senate Budget Committee Republican Staff Analysis of CBO Data